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An economic and labor market analysis of the Bear River Area

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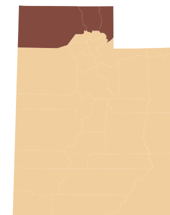
in this issue

What Do We Know About the Recent Recession's Long-Term Unemployed? *Tracking Unemployment Insurance Claimants in Northern Utah*



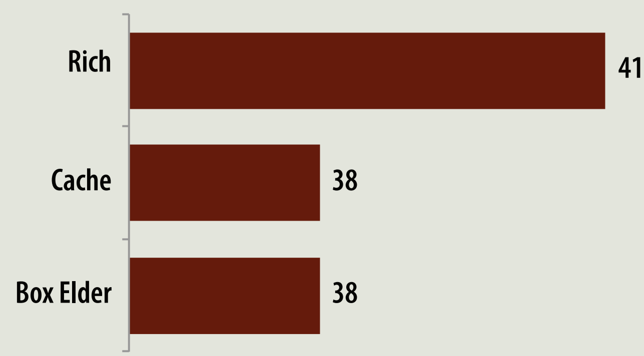
BY LECIA PARKS LANGSTON, ECONOMIST

Workers receiving unemployment insurance benefits comprise only about 30 percent of the total unemployed portion of the labor force in the Bear River Economic Service Area. The other 70 percent includes individuals who didn't qualify for benefits, those who have exhausted their benefits and those joining or re-entering the labor market (also not eligible for benefits). Workers often find part-time or temporary work while intermittently drawing unemployment insurance. Individuals who receive unemployment benefits maintain strong ties to the labor market because to establish a "benefit year" for unemployment insurance, a claimant must work a minimum number of weeks and earn a certain amount of money. In order to further understand the long-term unemployed in the northern-most portion of Utah, a study was conducted on the administrative unemployment insurance data. The long-term claimants in this study include those filing a first-time claim for regular unemployment insurance benefits between 2009 and 2010 who:

- Received benefits for at least 20 weeks (the approximate average duration for regular benefits)
- Ceased filing unemployment claims for at least three months
- Lived in Box Elder, Cache or Rich counties

In non-recessionary periods, a claimant can receive a maximum of 26 weeks of full benefits during a one-year period. However, because of the economic slump, extended weeks of benefits were available during the study period.

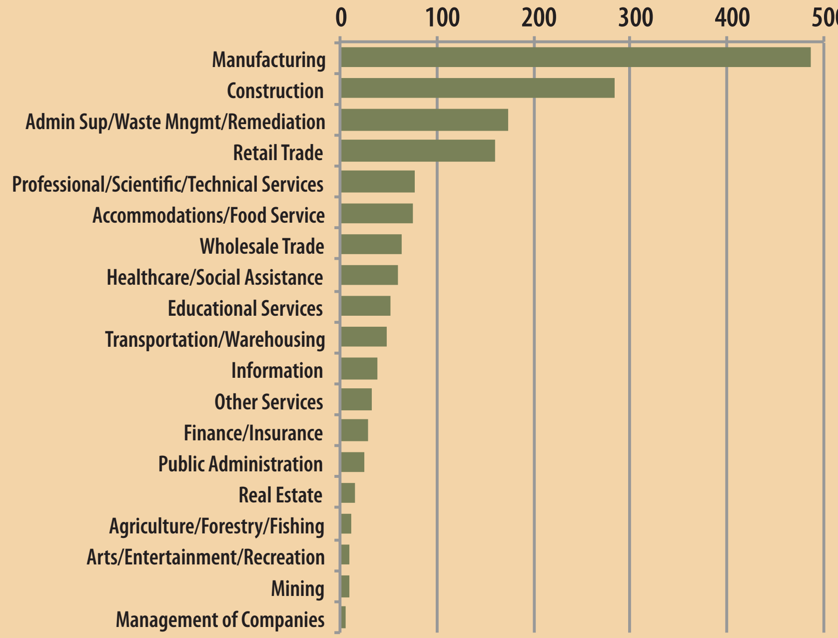
Figure 1: Average Number of Weeks Paid to Long-Term Unemployment Insurance Claimants*



* See article for definition.

What Do We Know... Cont.

Figure 2: Pre-unemployment Industry of Region Long-Term Unemployment Insurance Claimaints*



* See article for definition.

The Demographics of Long-Term Unemployment Claimants

General—Roughly 1,670 individuals met the criteria for long-term claimants in the three counties covered by this study. A total of 3,329 workers received fewer than 20 weeks of payments. On average, a long-term claimant received 38 weeks (roughly nine months) of benefits with an average weekly benefit amount of $308. Claimants with the longest spate of unemployment drew 84 weeks of benefits and the highest benefit amount paid equaled $451. The average northern-Utah long-term claimants who returned to a job covered by unemployment insurance laws in Utah experienced a $5,200 drop earnings after the first four quarters compared to 2008.

Area—The two counties with the largest employment bases also contributed the largest number of long-term claimants: Cache County, at 59 percent, and Box Elder County, at 39 percent. Rich County claimants comprised only 1 percent of the area's total long-term unemployed. However, Rich County showed the longest average duration of unemployment at 41 weeks. Both Box Elder and Cache counties displayed average durations of 38 weeks. The highest average maximum benefit amount can be traced to Box Elder County at $318. At $304 and $303 respectively, average benefit amounts in Cache and Rich counties were almost equal.

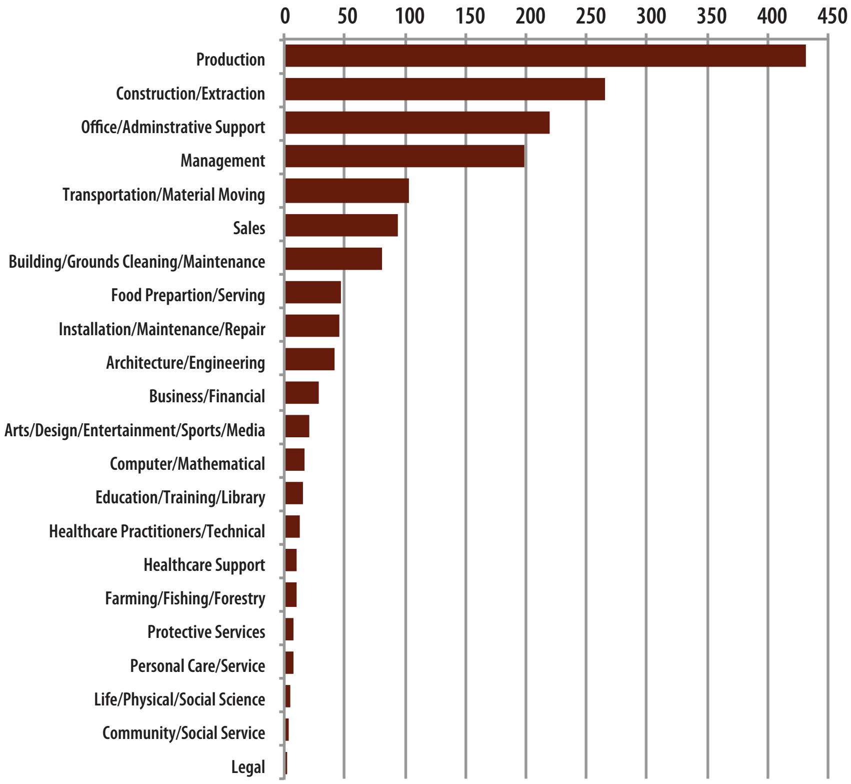
Gender—Males made up nearly two-thirds of long-term claimants as the industries hit hardest by recession—manufacturing and construction—are generally dominated by men. Males' normally higher wages correlate with higher weekly benefit amounts, $336, compared to women's $239. On the other hand, women were typically out of work for 39 weeks as compared to men who averaged 37 weeks.

Age—The recession proved no respecter of age. Workers in their 20s constituted nearly 30 percent of long-term unemployment insurance claimants. Each successive 10 year age cohort contributed a smaller and smaller share of these claimants. Workers in their 30s accounted for 27 percent of the long-term unemployed, while the share of workers in their 60s measured 7 percent.

In contrast, generally, the higher a claimant's age, the higher the number of payments they received. Apart from teenagers, 20- to 29-year-old claimants showed the shortest duration of unemployment payments (34 weeks). The few claimants over 70 presented the highest number of average weeks paid (65 weeks) while 10-year cohorts between 30 and 69 all showed average weeks paid between 39 and 41. This difference may exist because younger workers, with their more volatile work histories, may qualify for fewer weeks of benefits. However, this relationship certainly suggests that older workers find re-employment more difficult.

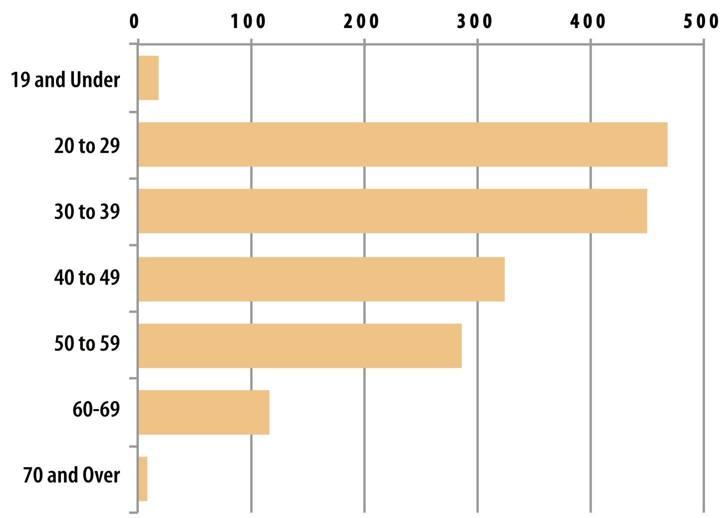
Industry—Goods-producing industries such as construction and manufacturing normally contract during a recession. The housing bubble exacerbated construction woes in the most recent downturn. For most areas, individuals in the construction industry comprised the largest share of long-term unemployment insurance claimants. However, both Box Elder and Cache County's employment bases are heavily dependent on manufacturing—a relationship reflected in the claimant figures. Manufacturing generated the highest share of long-term users of unemployment insurance at roughly 29 percent. Construction was the second largest producer of long-term claimants at 17 percent. Because of the on-again, off-again nature of construction projects, this industry always shows a high percentage of claimants even during good economic times. Administrative support/wage management/remediation (includes temp agencies) and retail trade, both at 10

Figure 3: Pre-unemployment Occupation of Long-Term Unemployment Insurance Claimants*



* See article for definition.

Figure 4: Age of Long-Term Unemployment Insurance Claimants*



* See article for definition.

percent, showed the next highest claimant shares.

Industries with little total employment also displayed small shares of long-term northern Utah claimants. The management of companies, mining and arts/entertainment/recreation industries showed only minute claimant shares. Several large-employment industries also maintained small long-term claimant proportions. Education services (public and private) and public administration each accounted for only 2 to 3 percent of the long-term unemployed.

Workers hailing from the area's smallest claimant-share industries suffered the longest spells of unemployment insurance payments (from 43 to 48 weeks). Industries with the largest claimant shares showed lower payment durations. Manufacturing (39 weeks), construction (36 weeks), administrative support (36 weeks) and retail trade (38 weeks) showed lower-than-average payment durations. Industries with the lowest average weeks of unemployment payments included public administration, transportation/warehousing and accommodation/food services.

Previous employment in a high-paying industry typically means a higher weekly benefit amount due to benefit determinations. Long-term workers with the highest average weekly benefit payments lost jobs in high-paying industries—specifically, construction ($350), mining ($423) and professional/scientific/technical services ($327). Correspondingly, the lowest average benefit amount of significance can be traced to the lowest-paying industry—accommodations/food services ($212). Remarkably, long-term claimants from the healthcare/social assistance industry exhibited the third-lowest average weekly benefit amount. This suggests that highly-skilled, highly-paid workers rarely appeared among the long-term unemployed from the healthcare/social services industry.

Where did northern Utah long-term unemployment insurance claimants find employment when they returned to work? Pre-unemployment industries typically

What Do We Know... Cont.

provided jobs for the largest share of claimants who returned to work. For example, 56 percent of construction-industry workers found re-employment in the construction industry, and 48 percent of manufacturing industry workers returned to manufacturing. For most industries, the share of claimants returning to their original industries ranged between 30 and 50 percent. A significant amount of industry-hopping still occurred. Notable shares of employees moved to administrative support/waste management/remediation.

The administrative support/waste management/remediation industry provided the first re-employment for many workers. Why? This industry includes temporary help services. Roughly 80 percent of the workers who found employment in this industry were employed through temporary help services companies or employee-leasing firms. In other words, a notable share of workers' first re-employment appears temporary in nature. Construction and retail trade also provided important sources of re-employment.

Laid-off workers from all industries experienced an average drop in wages between 2008 and their re-employment. However, the industry-by-industry tally exhibits wide differences. The few long-term claimants originating in the management of companies, wholesale trade and mining industries saw the most dramatic drop in yearly wages at over $10,000. The average drop for those let go from the professional/scientific/technical services industry registered $8,100. The smallest declines in re-employment wages occurred in healthcare/social services, administrative support/waste management/remediation and accommodation/food services.

Occupations—Understandably, workers with production and construction/extraction occupations comprise the largest shares of long-term claimants. Manufacturing workers contributed 26 percent of these claimants and construction added another 16 percent. Office and administrative support occupations (clerical) contributed 13 percent, and management generated 12 percent. These groups also maintain high shares of the *employed* portion of the labor force. Nevertheless, both construction and production occupational groups were represented at a higher rate than their share of total employment would suggest.

Among occupational groups with significant numbers of claimants, office and administrative support (clerical) occupations showed the highest average number of benefit weeks paid (41 weeks) to long-term unemployment insurance claimants. Workers with financial/business occupations also showed a higher-than-average duration of payments (43 weeks). Occupations with the lowest durations tended to have generated few long-term claimants: legal, personal care/service and farming/fishing/forestry.

The tracking of long-term unemployment claimants in the region provides a framework for understanding and clarifying the structure of the Great Recession. The relative length and depth of the contraction are mirrored by the duration of benefits paid to long-term claimants. Occupations and industries hit hardest by the downturn generated the largest number of claimants. When returning to work, long-term claimants typically found jobs in their pre-unemployment industry or picked up temporary work. Younger workers found re-employment faster than older workers.

- Long-term claimants in northern Utah received an average of 38 weeks of benefits.
- Men accounted for roughly two-thirds of long-term and regular claimants. However, women showed a slightly higher number of benefit weeks paid.
- Northern Utah long-term claimants received an average weekly benefit amount of $308.
- Cache County accounted for the highest share of long-term claimants.
- Workers in their 20s comprised the largest portion of long-term claimants. However, the older the age group, the longer the duration of unemployment.

Bear River Economic Indicators

BY ERIC MARTINSON, ECONOMIST

Economic recovery within the Bear River ESA has been mixed, but overall the outlook is slowly getting better. The latest quarterly employment data (first quarter 2012) shows that year-over change in employment for the Bear River area is on the verge of experiencing some growth after eight consecutive months of employment contraction. While employment in Cache County has shown a relatively positive picture during the first quarter of 2012, Box Elder is still struggling to recover from the massive job losses in manufacturing that occurred between 2009 and 2011. Year-over-year employment changes in Rich County also show an improving trend that is likely to go positive at some point between now and the end of the year. Building activity is still slow in the region as are taxable sales.

Box Elder

Currently, the unemployment rate (June) for Box Elder County is 7.0 percent, in between the state (6.0 percent) and the national rate (8.2 percent), which is down one tenth of a percentage point from May. While the latest quarterly data on employment for Box Elder County shows that the year-over change was still negative in March (-4.2 percent or -697 jobs), the rate of change in employment for the county is decreasing at a slowing rate. The employment situation in Box Elder County is still scarred by the recent losses in the manufacturing industry, historically the county's most dominant industry. As a percentage of total employment in the county, manufacturing was relatively consistent at around 40 percent from January 2002 to January 2008. The recent recession has initiated a decreasing trend in manufacturing employment relative to total nonfarm employment. Currently, manufacturing employment as a percentage of total employment is at 28 percent, a 12-percentage-point decrease from 2002 to 2008. Losses in the public administration sector are largely being offset by job gains in the professional and business services sector, which

Figure 5: Bear River Total Employment 2007–2010

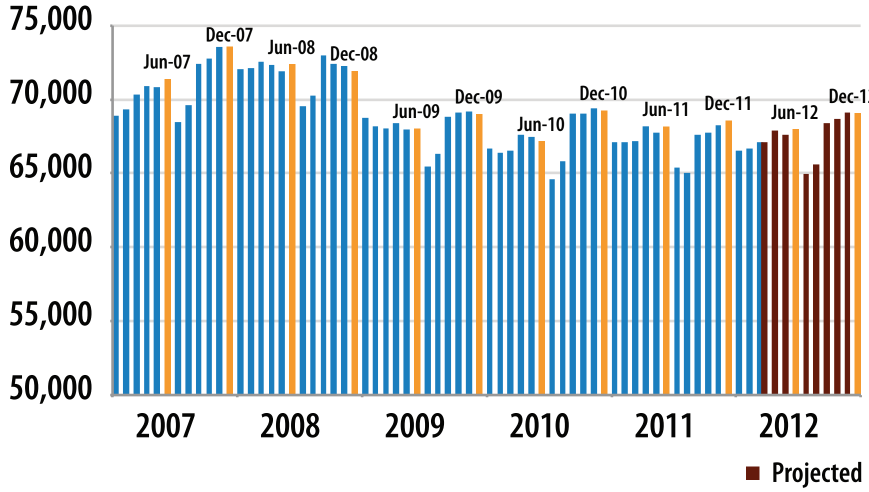
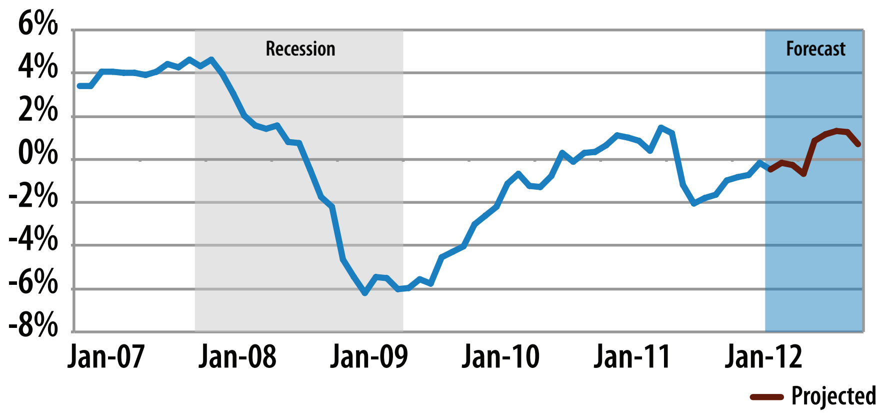


Figure 6: Bear River Year-Over Change in Total Employment 2007–2010



Bear River Economic Indicators Cont.

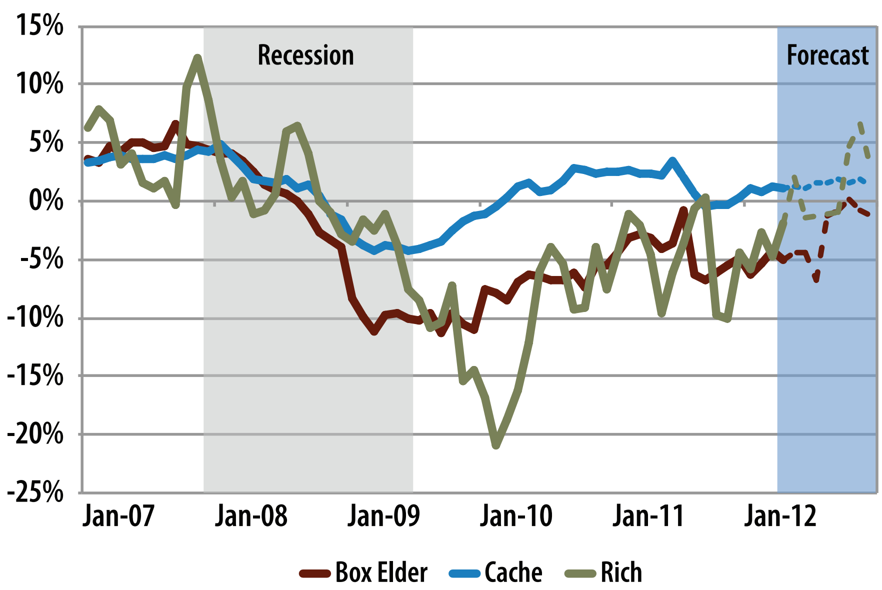
added about 230 more jobs than there were in the industry last March.

Growth in permitted dwelling units, another important economic indicator, was 3 percent higher than the same period last year. During this period, the year-over change in total permit-authorized construction values was down 28 percent. These indicators reflect the long road ahead to recovery for Box Elder County. Gross taxable sales, also analyzed on a year-over-year basis, adds to the difficult county portrait, posting a 38.7 percent drop compared to the same quarter of 2011. Box Elder is on a long road to recovery.

Cache County

The economic influence in the Bear River ESA, by sheer number of workers alone, is Cache County. Cache County was also the best economic performer in the first quarter of 2012 with the latest quarter of employment data for the county telling a rather positive story. The unemployment rate in Cache County, currently at 4.4 percent, is below both the state and national unemployment rates and has fourth lowest unemployment rate in the state. With the exception of an increase during April, the initial unemployment insurance (UI) claims, assessed on a four-week moving average basis, match the same levels as in 2008 before the recession hit. In fact, the weekly average of initial UI claims is 74 in the first quarter, the lowest first quarter average since 2008. For each month in the first quarter of 2012, Cache County has seen growth in total nonfarm employment, averaging 1.0 percent over three months.

Figure 7: Year-Over Percentage Change in County Employment 2007–2013



Manufacturing has been adding jobs—a welcome change after the recent struggle the industry has had in the area—showing a little over 200 additional jobs in the first quarter compared to last year. Other industries that posted noticeable job gains in the first quarter include state government (196 year-over jobs in March 2012), healthcare/social services (192) and leisure/hospitality (148). Construction and administrative support/waste management both have had year-over job losses for the first quarter, falling by -6 percent and -8 percent, respectively.

Sales and building indicators are mixed so far for the year. From January to April 2012, the percent change in permitted dwelling units was up 74 percent compared to the same period last year. The percent change in total permit-authorized construction values, on the other hand, was down 29 percent over the same period. These indicators show that building activity is picking up, but that the value of what is being built is reduced. Year-over taxable sales were also down in the first quarter, but just by a mere -3 percent. Notwithstanding the darker spots in its county economy, Cache County is keeping up with a recovering state economy.

Rich County

Mostly a farming and ranching community in the south and a tourism, travel and recreation economy in the north (Bear Lake area), Rich County has a relatively small economy with approximately 460 jobs. Given the recreation economy that Bear Lake fosters, the overall profile of Rich County's economy is one of seasonality. During the winter, the economy contracts to between 460 to 600 jobs (though in the last three years since the recession the contraction has been towards the lower range). During the peak summer months, employment reaches anywhere from 850 to over 950 jobs. The expansion and subsequent contraction of the labor market in Rich County is a relatively sharp phenomenon relative to a place like Moab, whose seasonal peaks are broader, indicating a longer peak season.

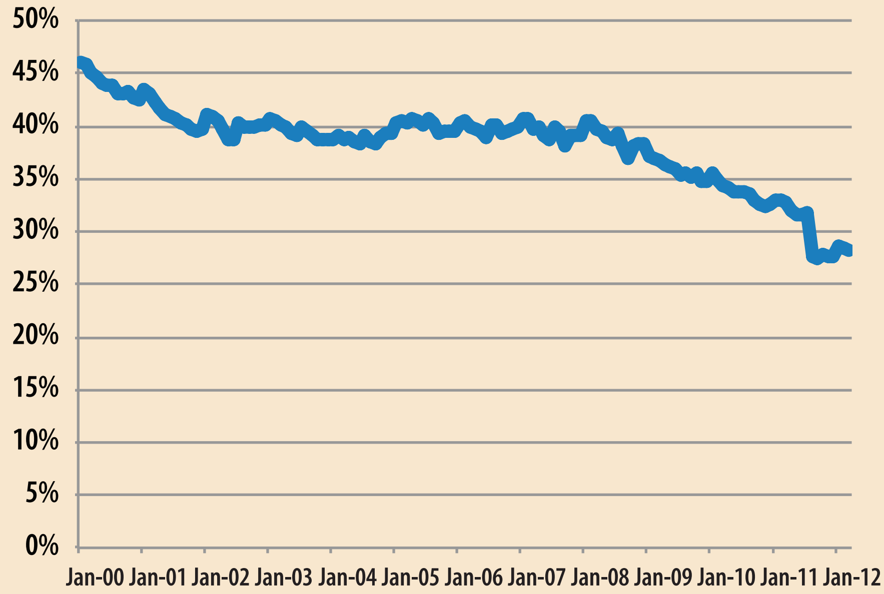
The first quarter of 2012 averaged about 460 workers, a 4.5 percent decrease in total nonfarm employment compared to last year's first quarter. March showed a drop in some 23 employees compared to March 2011. Losses in leisure and hospitality, education, health and social services, and public administration drove this slight drop in employment. The trade, transportation and utilities sector has been adding some jobs, but not enough to offset the net losses in other industries.

Conclusion

Economic recovery in Bear River has been mixed. Box Elder's unemployment rate is between those of the state and the nation, as it is still scarred by job losses and faces a long road to recession recovery. Cache County is the main economic influence in the area with an unemployment rate below those of the state and the nation, among the lowest in Utah. Rich County's small economy depends on the season, flourishing during the summer and contracting during the winter. Overall the outlook in Bear River is slowly getting better and positive changes are expected in the future.

The recent recession initiated a decreasing trend in manufacturing employment relative to total nonfarm employment. Manufacturing employment as a percentage of total employment is at 28 percent, a 12-percentage-point decrease from 2002 to 2008.

Figure 8: Box Elder Manufacturing as a Percentage of Total Employment 2000–2012



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Economic Analysis

BY MELAUNI JENSEN

To safeguard the economy against short-term losses and help individuals who have lost their income because of a layoff, Utah enacted the first unemployment compensation law on August 29, 1936. On September 15 of that same year, the state received approval under the Social Security Act to administer unemployment insurance funds. The Department of Workforce Services is the administrator of the Unemployment Insurance Benefits program (commonly called UI) for Utah. Through this program, DWS collects contributions, determines eligibility, takes claims and pays benefits to unemployed workers.

Where does the money come from? In order to entice states to endorse some sort of program to help the unemployed, the federal government gave a tax incentive to employers in industrial and commercial industries who have eight or more employees working for at least 20 weeks in a calendar year. Through both the Social Security Act, which authorizes the use of grants toward states, and the Federal Unemployment Tax Act, which pays a portion of the cost for each state, funds are collected by DWS and kept in a trust fund account from which DWS can withdraw at any time and use exclusively for this program.

To be eligible for these benefits, unemployed workers must meet certain criteria as defined by DWS and then they will receive an amount based on their earnings over a recent 52-week period. To keep these temporary benefits, they must actively search for work each week and document their searches. They are also offered free workshops and other resources to help in their efforts to obtain employment.

In 1970, due to a significant economic downturn in the late 1960s, an extended benefits program was developed between the federal government and the states to allow those who had exhausted their regular benefits to continue receiving benefits for an extended period of time. If the unemployment rate continued to be above 5 percent for more than 13 weeks, an eligible recipient was given extended benefits. By 1992, the states were given the option of taking on an additional formula that would trigger extended benefits. Today, extended benefits may be paid in Utah, provided that the state is in an extended benefit period as defined by the law and other requirements. This federal and state partnership and the rules and regulations are all intended to stabilize the economy and encourage employers to keep skilled labor and offer steadier employment.

As much as we would like to be rid of unemployment, it is a part of life. Even in the best of times, there will be individuals who are employable without a job for many different reasons. Over the years as the economy has changed, the Unemployment Insurance Benefits program has also changed the duration of benefits, qualifications, employers who are subject to the tax and requirements. More changes are likely to happen in the future as we face new challenges and learn new processes, all in an effort to help stabilize the economy.